

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1698-02
Bill No.: HCS for HB 977
Subject: Public Assistance
Type: Original
Date: April 28, 2015

Bill Summary: This proposal prohibits temporary assistance for need families (TANF) benefit cards from being used at ATMs or to access cash, and limits the items which may be purchased with TANF benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$347,419)	(\$211,200)	(\$211,200)
Total Estimated Net Effect on General Revenue	(\$347,419)	(\$211,200)	(\$211,200)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** state this proposal prohibits Temporary Assistance for Needy Families (TANF) benefit cards from being used at Automated Teller Machines (ATMs) or to access cash, and limits the items which may be purchased using TANF benefits.

Section 208.024.1 and .2

FSD states this section adds the word 'pornography' to the list of items recipients of TANF or supplemental nutrition assistance program (SNAP or food stamps) benefits cannot purchase with an electronic benefit transfer (EBT) card. It also states that if a recipient makes a purchase in violation of this section, a claim shall be established to recoup the amount of such purchase. This will happen at the first and second offense. If a third offense occurs, the recipient shall lose their TANF benefits for two years.

Federal law passed in 2012 (42 U.S.C. 608(a)(12)) requires states to implement policies and practices to prevent temporary assistance (TA) benefits from being used in any liquor store, casino, gambling casino, gaming establishment, or adult-oriented entertainment establishment. FSD has established blocking of TANF EBT purchases at establishments by Merchant Category Code (MCC). FSD has created a claims process and procedures are in place if eligible TA participants make an EBT purchase in violation of section 208.024. The recipient is currently required to reimburse the state at each offense. This policy is in place and being practiced. However, additional systems updates will be needed to disqualify the recipient at the third offense for a period of two years.

While current law and procedure is in place for TANF to prohibit transactions in restricted locations, if an establishment is an authorized Food and Nutritional Services (FNS) retailer, a participant can use their food stamps to purchase FNS qualifying items. Food Stamp EBT cards do not allow the purchase of liquor, tobacco, pornography, and/or lottery tickets. However, there is no way to block ineligible TANF purchases of liquor, tobacco, pornography, and/or lottery tickets at non-restricted EBT retailers such as gas stations, grocery or convenience stores.

Section 208.024.5 - Limiting Access to Cash from an EBT Card

This is a new section that states the total amount of cash accessed by a TANF or SNAP benefits recipient shall not exceed forty dollars per month, whether through an automated teller machine (ATM), as cash back on a purchase, or otherwise access the EBT card benefits as cash. This section will only impact the TANF population, as food stamps (FS) cannot be used at an ATM, to get cash back or to otherwise access the benefit as cash.

ASSUMPTION (continued)

FSD provides that a small portion of TANF participants who receive their benefit via direct deposit into a personal checking or savings account would not be affected.

To implement this legislation, EBT TANF would be limited to forty dollars (plus transaction fees) per calendar month via a purchase with cash back, automated teller machine (ATM), or otherwise access the EBT card benefits as cash.

FIS (the EBT card distributor) has provided a cost estimate to implement the changes of this legislation. These estimates are based upon the following assumptions:

- Recipient training and notification. The State will provide their Temporary Assistance (TA) recipients with notice of the change in the maximum cash amount received when accessing their cash assistance benefits. Notice will be given prior to implementation of the change. The State will provide FIS with a copy of any notice or mailing given to the TA recipients to prepare the Recipient Help Desk [USA800] for any calls that they may receive.
- The State will provide TA applicants with information regarding the limit on the maximum cash amount available to withdrawal or received as cash back on purchase at the time of application for benefits.
- Programming changes needed to store the cash withdrawals/cash back transactions for each month and decline cash withdrawals/cash back on transactions that exceed forty dollars the rest of the month.
- Increased calls to USA 800 due to confusion regarding cash balance on EBT account and inability to withdraw cash.

Because this section is changing how EBT cards can be used, the FSD would need to notify each TA household of this change. Using the amount provided by FIS, 30,871 families (26,486 FS/TA combination cases + 4,385 TA cash only cases) received TA on an EBT card in January 2015. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration puts each notice at \$0.41 cents each. Therefore, the FSD estimates the cost to mail this one time notice to be \$12,657 (30,871 notices x \$0.41 postage = \$12,657.11 rounded down).

Postage for One Time Notice	\$12,657
EBT Vendor cost estimate first year	\$425,000
EBT Vendor cost estimate each year thereafter	\$400,000

Oversight notes, based on conversations with DSS officials, that EBT Vendor costs include costs associated with putting the cash withdrawal limits into their system for recipients, an anticipated increase in call center charges and other costs to correct and modify the system as necessary. Subsequent year expenses include upkeep of the system and additional call center costs.

ASSUMPTION (continued)

Section 208.182 - EBT Pilot Project

This section removes the language that created a pilot program that allowed EBT cards to get cash at ATM or point of sale terminals.

There is no fiscal impact to FSD.

FSD provides that the **Office of Administration (OA), Information Technology Services Division (ITSD)** states the Family Assistance Management Information System (FAMIS) will have to implement changes to the Sanction/Disqualification process to implement the requirement where the system needs to reject a participant for 2 years from any TANF/SNAP benefits .

General Revenue (GR) Cost: $\$75/\text{hr} \times 64.8 \text{ hrs} = \$4,860$

In addition ITSD will have to have extensive changes to the EBT system to automatically check purchase details looking for banned items. These banned purchase would have to be passed on to the Claims and Restitution system (CARS) for repayment. EBT will also have to notify FAMIS that a sanction/disqualification from any TANF/SNAP benefits for two years has occurred.

GR cost: $\$75/\text{hr} \times 1,501.2 \text{ hrs} = \$112,590$

Total IT contract costs = \$117,450.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND (\$208.024)			
<u>Costs - DSS-FSD</u>			
Postage costs	(\$5,569)	\$0	\$0
Vendor costs	<u>(\$224,400)</u>	<u>(\$211,200)</u>	<u>(\$211,200)</u>
Total <u>Costs - DSS-FSD</u>	<u>(\$229,969)</u>	<u>(\$211,200)</u>	<u>(\$211,200)</u>
<u>Costs - OA-ITSD</u>			
Contract IT costs system changes	<u>(\$117,450)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$347,419)</u>	<u>(\$211,200)</u>	<u>(\$211,200)</u>
FEDERAL FUNDS (\$208.024)			
<u>Income - DSS-FSD</u>			
Program expenditure reimbursements	\$205,579	\$188,800	\$188,800
<u>Costs - DSS-FSD</u>			
Program expenditures	<u>(\$205,579)</u>	<u>(\$188,800)</u>	<u>(\$188,800)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal changes the law regarding the use of TANF and Supplemental Nutrition Assistance Program (SNAP) benefits via electronic benefit transfer (EBT) transaction. The proposal adds pornography to the list of items that are prohibited from being purchased with TANF or SNAP

FISCAL DESCRIPTION (continued)

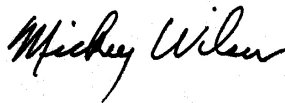
benefits using an EBT card. A recipient must reimburse the Department of Social Services for the purchase if he or she makes a purchase in violation of these provisions and it is the recipient's first or second violation of these provisions. For any third or subsequent violation, the recipient must lose his or her TANF or SNAP benefits for two years.

The proposal limits a recipient from using TANF benefits loaded on an EBT card from withdrawing from an ATM machine or receiving cash back on a purchase to \$40 per month.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services -
Family Support Division
Office of Administration -
Information Technology Services Division



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April 28, 2015

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